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**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

REGISTERED OFFICE

CIVIC CENTRE
NEL STREET
NELSPRUIT

P O BOX 45
NELSPRUIT
1200

TELEPHONE NUMBER +27 13 759-9111

FAX NUMBER +27 13 759-2002

WEBSITE ADDRESS: www.mbombela.gov.za

GRADING OF LOCAL AUTHORITY

GRADE 9

AUDITORS

THE AUDITOR GENERAL

BANKERS

ABSA BANK NELSPRUIT

COUNCILLORS

MEMBERS OF THE MAYORAL COMMITTEE & THEIR PROTFOLIOS

M J Mohlala	Speaker
L Chiwayo	Executive Mayor
C N Ndlovu	Executive Deputy Mayor
M W Nkosi	Chief Whip
E M Dlodlu	Member of Mayoral Committee - Public Safety & Transport
G S Siwela	Member of Mayoral Committee - PMU/Civil Engineering & Urban Planning, Electrical Engineering & Housing
J V Sambo	Member of Mayoral Committee - Sports/Culture & Transversal
T V Ndala	Member of Mayoral Committee - Finance/IDP/LED/Performance
Z J Mokoena	Member of Mayoral Committee - Waste Management/Health/Parks & Cemeteries

WARD COUNCILLORS

<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>
E M Khoza	1	M E Banda	19
T R Sgudla	2	G S Siwela	20
L E Nyalunga	3	S S Lukhele	21
T M Manana	4	B P Maseko	22
N M Mashabane	5	T E Nkosi	23
H K Malomane	6	T F Nkosi	24
J V Sambo	7	N B Matume	25
M M Mlimi	8	M S Dube	26
C G Mokoena	9	Z L Mandlazi	27
M A Ngwenyama	10	H L Lekhuleni	28
F G Mbuyane	11	M J Msibi	29
M C Mafutha	12	C J M Pienaar	30
N L Mkhwanazi	13	N L Mabunda	31
M D Mnisi	14	M O Mathebula	32
F Lange	15	A B Mashabane	33
C J Booyens	16	J M Mbazo	34
T M Charles	17	S G Chiloane	35
W A Mona	18	T J Milazi	36

**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

COUNCILLORS, PROPORTIONAL

A A Ndowane
C D Mac Pherson
C Maseko
C Mathaba
D P C Tau
E N Sambo
F H J Siboza
F P Nkala
G C de Bruin
J D Nkosi
J Koster
J M Khumalo
J Sidell
M J Mwali

N A Mokoena
S D Mboshane
S R Mdluli
S R Schormann
S T Luthuli
S Zwane
T C Simelani
T K Mabilane
T N Sifunda
V B Mlimi
V A Mdluli
V M Mathebula
W N Murphy
Z M Boroko

AUDIT COMMITTEE

Prof MJ Maseko	Chairman
A Keyser	Member
O Mhlabane (Ms)	Member
B Bando (Ms)	Member (Resigned with effect from March 2008)

ADMINISTRATOR

	Mr KE Mpungose
Telephone	(013) 759 2000
E-Mail Address	khayo.mpungose@mbombela.gov.za

CHIEF OPERATIONS MANAGER

	Mr FS Siboza
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CHIEF FINANCIAL OFFICER

	Ms NT Mthembu
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EXECUTIVE MANAGER TECHNICAL SERVICES

	Mr ND Malokela
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EXECUTIVE MANAGER COMMUNITY SERVICES

	Mr R Matola
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E-Mail Address	rasheed.matola@mbombela.gov.za

EXECUTIVE MANAGER CORPORATE SERVICES

	Mr J Ngobeni
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E-Mail Address	jasper.ngobeni@mbombela.gov.za

**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

LIBRARIES

Hazyview	(013) 737 7220
Kabokweni	(013) 796 1082
Matsulu	(013) 778 9864
Nelspruit	(013) 759 2077
Nelsville	(013) 755 4788
Victory Park	(013) 759 2089
White River	(013) 750 9125

ENQUIRIES

Building Plans	(013) 759 2184
Electricity	(013) 759 2231
Water & Sewerage	(013) 752 2580
Consumers	(013) 759 2025 / 2064

PAY POINTS

White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Nelspruit Civic Centre	(013) 759 2025 / 2064

APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements as attached were signed by the Administrator.

.....
Mr KE Mpungose
ADMINISTRATOR
31 August 2008

.....
Ms NT Mthembu
CHIEF FINANCIAL OFFICER
31 August 2008

**MBOMBELA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Mr KE Mpungose
Administrator
31 August 2008

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position performance and changes in financial status of the Mbombela Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

2 BASIS OF PRESENTATION

- 2.1** The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
 General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP and/or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard Number	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007, that have been early adopted
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.

- 2.2** The financial statements have been prepared on the historical cost basis.

- 2.3** Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

- 2.4** Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

2.5 The principal accounting policies adopted in preparation of these annual financial statements are set out below.

3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, act 107 of 1997. Loans from National and Provincial Government used to finance housing developments undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the fund.

Expenditure allowed in terms of the Housing Act is expensed in the statement of financial performance and a corresponding transfer is made to the fund.

6 RESERVES

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised

6.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. Transfers were made to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

6.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred on the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalization reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/(deficit).

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the government grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the government grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.5 Self – Insurance Reserve

The municipality has a Self – Insurance Reserve to set aside amounts to offset potential losses or claims. The Self – Insurance reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims. Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.

Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of financial performance. An amount equal to the expense is transferred from the Insurance Reserve to the Unappropriated Surplus via the Statement of changes in net assets.

The balance of the self-insurance fund is fully cash backed and is invested in fixed deposits.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7 PROPERTY, PLANT & EQUIPMENT

7.1 An item of property, plant and equipment is recognised in the financial statements as an asset when:

- it is a resource controlled by a municipality
- as a result of past events
- from which future economic benefits or potential service provision is expected to flow to the municipality; and
- the cost of the asset to the municipality can be measured reliably.

7.2 Property, plant and equipment are stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

7.3 Heritage assets defined as of cultural significance are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

7.4 Depreciation is calculated on cost, using the straight – line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates as prescribed in the Asset Management Policy.

7.5 Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down to its recoverable amount and an impairment loss is charged to the statement of financial performance.

7.6 Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

7.7 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

7.8 Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

7.9 Disposal and retirement of assets

Assets are written off on disposal or retirement.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

7.10 Depreciation and impairment losses

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		
Investment Properties	30		

7.11 Intangible Assets

Intangible assets are carried at cost less any accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 3-5 years.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

8 FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale.

All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings.
The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired in accordance with IAS39.58-70, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

8.1 Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

8.2 Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

8.3 Investments

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of The Deposit Taking Institutions Act of 1990 with an A1 or similar rating for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet Commitments.

9 LEASES

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases that do not fall within the scope of the above definition. Operating rentals are expensed as they become due.

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight - line basis over its useful live.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

10 INVENTORIES

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the Basis of determining cost is the first in first out method.

Redundant and slow - moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

11 EMPLOYEE BENEFITS

11.1 Pension / Retirement Fund

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

§	Joint Municipal Pension Fund
§	Municipal Employees Pension Fund
§	Municipal Gratuity Fund
§	SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The retirement benefits are calculated in accordance with the rules of the funds.

11.2 Post Employment Benefit Obligations

Council provides certain post retirement healthcare benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and Council for the remaining 60%.

These contributions are charged to the operating account when paid.

12 REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other municipal services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

12.1 Revenue from rates

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. A differential rating system is applied. In terms of this system assessment rates are levied on the market related land value and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

12.2 Service charges relating to Electricity, Water, Sewerage and Refuse

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These

adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

Refuse charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

12.3 Collection charges

Collection charges are recognized when such amounts are legally enforceable.

12.4 Interest on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

12.5 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. There is uncertainty regarding recoverability of outstanding fines and summons. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons issued. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

12.6 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

12.7 Interest earned on investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis.

12.8 Income for agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

12.9 Revenue and donations from public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognised (Creditors: Unutilized Grants)

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment meet the PPE definition.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment meet the PPE definition.

12.10 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- * The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- * The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- * The amount of revenue can be measured reliably.
- * It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- * The costs incurred or to be incurred in respect of the transaction can be measured reliably.

12.11 Government Grants

Government Grants are recognised as revenue when all conditions associated with the grant have been met.

Where grants have been received but the Municipality has not met the condition, a liability is raised.

12.12 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13.1 PROVISION FOR BAD DEBT

An annual contribution is made towards a working capital provision for non - recoverable rates and service fees.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 120 days.

When an under recovery occurs during the year an additional contribution must be made from the Unappropriated Surplus at year - end.

14 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

15 SURPLUSES AND DEFICITS

Surpluses and deficits arising from the operations of Electricity, Water and Sewerage Services are carried over to the Rates and General Services.

16 CONSUMER DEPOSITS

All consumers are required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refundable once the service is terminated. No interest is paid on deposits.

17 TRADE CREDITORS

Trade creditors are stated at their nominal value.

18 VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

19 ACCOUNTS RECEIVABLE

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24 COMPARATIVE INFORMATION

24.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

24.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

25 INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

26 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

27 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

28 ROUNDING

These amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the near Rand

29 TAXATION

The Council are exempted from tax in terms Section 10(1)(a) of the Income Tax Act

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		1,332,810,735	960,222,861
Capital replacement reserve	1	67,130,233	88,718,310
Capitalisation reserve	2	208,468,930	214,425,729
Government grant reserve	3	820,718,871	503,393,465
Self-insurance reserve	4	9,227,446	7,342,815
Accumulated Surplus/(Deficit)		227,265,255	146,342,542
Non-current liabilities		66,868,249	76,455,098
Long-term liabilities	5	66,868,249	76,455,098
Current liabilities		405,079,673	256,009,055
Consumer deposits	6	15,113,431	13,973,389
Leave Creditors	7	16,110,421	12,877,171
Creditors	8	130,275,829	121,983,740
Unspent conditional grants and receipts	9	233,990,145	97,598,486
Current portion of long-term liabilities	5	9,589,847	9,576,269
Total Net Assets and Liabilities		1,804,758,657	1,292,687,014
ASSETS			
Non-current assets		1,277,636,985	930,589,737
Property, plant and equipment	11	1,254,203,962	909,054,908
Investments	12	17,684,242	15,143,961
Long-term receivables	13	5,748,781	6,390,868
Current assets		527,121,672	362,097,277
Inventory	14	13,340,553	10,949,497
Consumer debtors	15	51,513,122	42,409,990
Other debtors	16	14,102,858	34,800,713
VAT	10	21,260,045	22,580,148
Call investment deposits	12	215,442,300	133,843,009
Bank balances and cash	17	211,462,794	117,513,920
Total Assets		1,804,758,657	1,292,687,014

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	ACTUAL	
		2008 R	2007 R
REVENUE			
Property Rates	18	142,044,993	128,097,290
Property Rates - Penalties Imposed and Collection Charges		-	1,069,790
Service Charges	19	243,480,438	198,298,365
Rental of Facilities and Equipment		1,932,194	1,838,661
Interest Earned - External Investments		30,121,700	21,330,963
Interest Earned - Outstanding Debtors		16,390,889	15,929,910
Fines		3,384,898	4,878,659
Licences and Permits		2,257,573	1,099,870
Income for Agency Services		47,476,381	41,538,124
Government Grants and Subsidies	20	161,950,512	128,666,723
Capital Grants and Subsidies	20	327,682,163	266,067,967
Other Income		31,363,375	45,971,469
Gains on Disposal of Property, Plant and Equipment		1,425,230	601,043
Total Revenue		1,009,510,346	855,388,834
EXPENDITURE			
Employee Related Costs	21	192,235,293	176,301,175
Remuneration of Councillors	22	12,821,440	12,217,409
Bad Debts	23	35,391,827	37,657,344
Depreciation		35,820,927	29,253,589
Repairs and Maintenance		64,672,085	57,684,962
Interest Paid	24	10,885,051	12,649,059
Bulk Purchases	25	115,647,254	99,056,576
Contracted Services		50,999,691	46,333,510
General Expenses		113,641,768	101,352,462
Departmental Charges		139,511,346	126,818,104
Loss on Disposal of Property, Plant and Equipment		-	75,537
Contributions to / (transfers from) Provisions		135,121	(6,958,222)
Gross Expenditure		771,761,803	692,441,505
Less : Amounts Charged Out		(134,710,321)	(127,293,750)
Nett Expenditure		637,051,482	565,147,755
NET SURPLUS / (DEFICIT) FOR THE YEAR		372,458,864	290,241,079
<i>Refer to Appendix E(1) for the comparison with the approved budget</i>			

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF CHANGES NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Capital Replacement Reserve R	Grant Reserve R	Capitalisation Reserve R	Self Insurance Reserve R	Accumulated Surplus / (Deficit) R	Total R
2007						
Restated Balance	94,096,379	245,371,262	177,924,840	5,359,909	140,357,698	663,110,088
Net Surplus for the Year					290,241,079	290,241,079
Adjustments Prevoius Years					(11,624)	(11,624)
Transfer to CRR	(43,057,233)					(43,057,233)
Other Income / Expenditure	9,696,648		43,057,235	4,811,545		57,565,428
Transfer to Leave Reserve					(3,103,276)	(3,103,276)
Transfer to Surplus Operating Income					(3,210,217)	(3,210,217)
Transfer from NDR Operating Expenditure					1,199,044	1,199,044
Transfer from Accumulated Surplus					335,692	335,692
PPE Purchase	28,000,000				(28,000,000)	-
Capital Grants Used to Purchase PPE		266,067,966			(266,067,966)	-
Expenditure	(17,484)			(2,828,639)		(2,846,123)
Offsetting of Depreciation		(8,045,765)	(6,556,346)		14,602,111	-
Balance at 30 July 2007	88,718,310	503,393,463	214,425,729	7,342,815	146,342,541	960,222,858
2008						
Restated Balance	88,718,310	503,393,463	214,425,729	7,342,815	146,342,541	960,222,858
Net Surplus for the Year					372,458,864	372,458,864
Adjustments Prevoius Years					(1,674,222)	(1,674,222)
Transfer to CRR	(34,266,758)				(12,454,973)	(46,721,731)
Other Income / Expenditure	12,678,681		-	5,346,137		18,024,818
PPE Purchase					34,299,613	34,299,613
Capital Grants Used to Purchase PPE		327,682,163			(327,682,163)	-
Asset Disposals					(305,105)	(305,105)
Expenditure				(3,461,506)		(3,461,506)
Offsetting of Depreciation	-	(10,356,757)	(5,956,799)		16,280,698	(32,858)
Balance at 30 July 2008	67,130,233	820,718,869	208,468,930	9,227,446	227,265,253	1,332,810,731

MBOMBELA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from Ratepayers, Government and Other		2,836,360,885	3,427,545,647
Cash Paid to Suppliers and Employees		2,254,645,145	3,015,651,807
Cash Generated from Operations	26	581,715,740	411,893,840
Interest Received		30,121,700	21,330,963
Interest Paid / Finance Cost	24	(10,885,051)	12,649,059
NET CASH FROM OPERATING ACTIVITIES		600,952,389	420,575,744
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(381,275,086)	(335,049,938)
Proceeds on Disposal of Fixed Assets		300,240	167,889
(Increase) / Decrease in Non-Current Receivables		642,087	3,771,961
(Increase) / Decrease in Investments		(84,139,572)	39,720,057
NET CASH FROM INVESTING ACTIVITIES		(464,472,331)	(291,390,031)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans Raised / (Repaid)		(9,573,271)	(14,178,803)
Increase in Consumer Deposits		1,140,042	912,427
NET CASH FROM FINANCING ACTIVITIES		(8,433,229)	(13,266,376)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	27	94,083,079	75,586,501
Cash and Cash Equivalents at the Beginning of the Year		117,379,715	41,927,419
Cash and Cash Equivalents at the End of the Year		211,462,794	117,513,920

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 CAPITAL REPLACEMENT RESERVE	67,130,233	88,718,310
Capital Replacement Reserve	31,810,969	53,622,754
Balance at beginning of the year	53,622,754	60,686,442
Contributions	12,454,973	35,993,545
Income	-	-
Property, plant & equipment	(34,266,758)	(43,057,233)
Transfers in respect of GAMAP	-	-
Land Trust Fund	4,351,467	4,351,467
Balance at beginning of the year	4,351,467	4,351,467
Contributions	-	-
Income	-	-
Property, plant & equipment	-	-
Transfers in respect of GAMAP	-	-
Land & Property Development Account	29,126,067	28,902,359
Balance at beginning of the year	28,902,359	27,216,740
Contributions	223,708	1,703,103
Income	-	-
Expenditure	-	(17,484)
Transfers in respect of GAMAP	-	-
Housing Trust Fund	1,841,730	1,841,730
Balance at beginning of the year	1,841,730	1,841,730
Contributions	-	-
Income	-	-
Expenditure	-	-
Transfers in respect of GAMAP	-	-
2 CAPITALISATION RESERVE	208,468,930	214,425,729
Balance at beginning of the year	214,425,729	177,924,840
Contributions	-	43,057,235
Property, plant & equipment purchased	-	-
Transfer to Unutilised Grants Receipts	-	-
Offsetting of depreciation	(5,956,799)	(6,556,346)
Disposal	-	-
3 GRANT RESERVE, DONATIONS AND PUBLIC CONTRIBUTIONS	820,718,871	503,393,465
Balance at beginning of the year	503,393,465	245,371,263
Donated/contributed PPE	327,682,163	266,067,967
Offsetting of depreciation	(10,356,757)	(8,045,765)
Capital grants used for PPE	-	-

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
4 SELF-INSURANCE RESERVES	9,227,446	7,342,815
Insurance Fund General	6,272,522	4,411,449
Balance at beginning of the year	4,411,449	2,675,199
Contributions received	5,309,257	4,400,528
Other Income	-	-
Expenditure	(3,448,184)	(2,664,278)
Insurance Fund Refuse	198,910	198,910
Balance at beginning of the year	198,910	198,910
Contributions received	-	-
Other Income	-	-
Expenditure	-	-
Insurance Fund Roads & Stormwater	1,070,849	1,070,849
Balance at beginning of the year	1,070,849	990,855
Contributions received	-	82,614
Other Income	-	-
Expenditure	-	(2,620)
Insurance Fund Sewerage	231,562	231,562
Balance at beginning of the year	231,562	68,518
Contributions received	-	168,044
Other Income	-	-
Expenditure	-	(5,000)
Insurance Fund Water	-	-
Balance at beginning of the year	-	(150,239)
Contributions received	-	150,239
Other Income	-	-
Expenditure	-	-
Insurance Fund Electricity	650,389	650,389
Balance at beginning of the year	650,389	795,003
Contributions received	-	10,120
Other Income	-	-
Expenditure	-	(154,734)
Bursary Scheme	780,439	780,439
Balance at beginning of the year	780,439	781,663
Contributions received	-	-
Other Income	-	-
Expenditure	-	(1,224)
Compensation for Occupational Injuries and Diseases	22,775	(783)
Balance at beginning of the year	(783)	-
Contributions received	36,880	-
Other Income	-	-
Expenditure	(13,322)	(783)

Note:

(i) Insurance Fund

The Insurance Fund is utilized for non-claimable losses on assets as well as for motor vehicle claims until the aggregate amount is reached.

Insurance premiums are charged out to the respective services and directorates in accordance to the insured value of assets.

(ii) Bursary Scheme

The Bursary Scheme is used to assist internal and external candidates with their studies.

Contracts are entered into on an individual basis and are written off when the qualification is obtained failing which loans must be repaid at an interest rate equal to the prime rate of the Councils banker.

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
5 LONG TERM LIABILITIES	76,458,096	86,031,367
Local Registered Stock Loans	11,900,000	11,900,000
Annuity Loans:	54,968,249	64,555,098
ABSA	7,280,912	8,496,630
Development Bank of SA	17,977,127	19,186,527
INCA	28,941,071	36,102,802
Delta	769,139	769,139
Plus:		
Current portion transferred to current liabilities	9,589,847	9,576,269
Local Registered Stock	3,000	3,000
Annuity Loans:	9,586,847	9,573,269
ABSA	1,215,717	1,365,142
Development Bank of SA	1,209,398	1,033,770
INCA	7,161,732	7,174,357

*Refer to Appendix A for more detail on long term liabilities.
R17 684 242 (2007: R15 143 961) has been invested specially for
repayment of long term liabilities.
See note 12 for more detail.*

5.1 Local Registered Stock

Local registered stock bears interest at rates which vary between **11.60%** and **17.20%** per annum and are repayable over periods between one (1) and three (3) years.

5.2 Annuity Loans

Annuity loans interest varies between **10.50%** and **16.43%** per annum and will be fully redeemed after twelve (12) years.

In terms of a Sinking Fund Loan agreement concluded between Mbombela Local Municipality and Nedcor the loans from the DBSA and Nedcor will be redeemed by means of a Sinking Fund raised by the proceedings from the sale of stands in Stonehenge extension 1.

6 CONSUMER DEPOSITS

Electricity	13,321,447	12,189,714
Water	553,272	553,273
Water - GNUC	1,238,712	1,230,402
Total Consumer Deposits	15,113,431	13,973,389

Guarantees held in lieu of Electricity and Water Deposits	1,852,935	1,984,509
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No interest is paid on deposits.

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
7 LEAVE CREDITORS		
Balance at beginning of the year	12,877,171	11,515,317
Contributions received	5,081,916	3,502,798
Expenditure	(1,848,666)	(2,140,944)
Balance at end of the year	16,110,421	12,877,171
8 CREDITORS		
Trade Creditors	41,786,199	33,461,593
Civil Contracts	9,633,393	11,266,846
Unclaimed Creditors	1,426,445	1,425,262
Audit Fees	800,624	814,066
Retention Money	1,332,638	1,332,638
Amounts received in advance:		
Consumers	22,216,155	19,288,147
Sundry Debtors	-	-
SPACE program	-	37,624
GNUC Service contributions - Water & Sewerage	18,416,275	11,287,453
GNUC Sewerage plan fees	37,175	148,500
Service Contributions	11,888,819	8,688,728
Deposits Other	968,949	1,006,010
Suspense Accounts	20,856,156	32,172,782
Concession Monitoring	663,431	369,777
Grant Funding - Water Service	82,100	77,694
Other Creditors	167,470	606,620
	130,275,829	121,983,740
9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
MIG	15,416,812	8,436,152
DWAF	2,381,380	572,569
LED	16,929	16,929
DME	(837,794)	1,215,130
EDM	894,200	894,200
Provincial	11,039,517	14,066,332
Department of Sports and Recreation	157,883,913	72,373,047
Taxi Disaster Fund	24,927	24,127
Taxi Disaster Fund - White River	22,815	-
Public Transport Infrastructure Services	47,147,446	-
Total Conditional Grants and Receipts	233,990,145	97,598,486
<i>See Note 20 for reconciliations of grants from National/Provincial Government.</i>		
10 VAT		
VAT payable (receivable)	(21,260,045)	(22,580,148)
	(21,260,045)	(22,580,148)
VAT is payable on the receipts basis.		
Only once payment is received from debtors is VAT paid over to SARS.		

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11 PROPERTY, PLANT AND EQUIPMENT

30 June 2008					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	-	607,898,677	211,311,547	89,844,684	909,054,908
<i>Cost</i>	-	849,983,702	216,399,760	175,673,053	1,242,056,515
<i>Accumulated depreciation</i>	-	(242,085,025)	(5,088,213)	(85,828,369)	(333,001,607)
Acquisitions	-	118,297,199	245,768,647	17,209,241	381,275,087
Capital under Construction	-	-	-	-	-
Depreciation	-	(28,370,847)	(733,420)	(6,716,660)	(35,820,927)
Carrying value of disposals	-	-	-	(305,105)	(305,105)
<i>Cost</i>	-	-	-	(605,345)	(605,345)
<i>Accumulated depreciation</i>	-	-	-	300,240	300,240
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	-	697,825,029	456,346,774	100,032,160	1,254,203,963
<i>Cost</i>	-	968,280,901	462,168,407	192,276,949	1,622,726,257
<i>Accumulated depreciation</i>	-	(270,455,872)	(5,821,633)	(92,244,789)	(368,522,294)

PROPERTY, PLANT AND EQUIPMENT

30 June 2007					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	-	507,946,944	23,504,565	71,639,161	603,090,670
<i>Cost</i>	-	725,388,000	27,924,103	153,694,474	907,006,577
<i>Accumulated depreciation</i>	-	(217,441,056)	(4,419,538)	(82,055,313)	(303,915,907)
Acquisitions	-	124,595,702	188,475,657	21,978,579	335,049,938
Capital under Construction	-	-	-	-	-
Depreciation	-	(24,643,969)	(668,675)	(3,940,945)	(29,253,589)
Carrying value of disposals	-	-	-	167,889	167,889
<i>Cost</i>	-	-	-	-	-
<i>Accumulated depreciation</i>	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2007	-	607,898,677	211,311,547	89,844,684	909,054,908
<i>Cost</i>	-	849,983,702	216,399,760	175,673,053	1,242,056,515
<i>Accumulated depreciation</i>	-	(242,085,025)	(5,088,213)	(85,828,369)	(333,001,607)

Intangible assets are carried at cost less any accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 3-5years.

Refer to Appendices B and C for more detail

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
12 INVESTMENTS	233,126,542	148,986,970
Short Term Deposits	215,442,300	133,843,009
ABSA	215,442,300	133,843,009
Long Term Deposits	17,684,242	15,143,961
Nedbank	9,822,705	8,299,631
INCA - White River	5,956,962	5,189,457
INCA - White River	1,904,575	1,654,873
The short term deposits allocated as follows:	215,442,300	199,193,967
Capital Replacement Reserve	31,810,969	53,622,754
Housing Trust Fund	1,841,730	1,841,730
Land Trust Fund	4,351,467	4,351,467
Unutilised Capital Receipts (Grants) *	76,108,172	97,598,486
Leave Reserve	16,110,421	12,877,171
Land & Property Development Account	29,126,067	28,902,359
Self Insurance Fund	9,227,446	-
Operating Account	46,866,028	-
Surplus funds are invested in terms of Councils investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating for sole investment purposes.		
The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.		
No investments have been written off during the year.		
The long term investments are invested to redeem external loans.		
<i>Refer to Appendix A for more detail on external loans.</i>		
* The 2010 Soccer World Cup Fund is not included in the above-mentioned amount (Unutilised Capital Grants), as it has its own bank account. - <i>Refer to Note 17</i>		

13 LONG-TERM RECEIVABLES	5,748,781	6,390,868
Bursary Scheme	598,635	616,914
Urban Loans	4,872,587	5,319,923
Endowment Loans	-	175,776
Sundry Loans	277,559	278,255
	5,748,781	6,390,868
Less: Current Portion	-	-
	5,748,781	6,390,868
Less: Provision for bad debt	-	-

Sale of Erven Loans

Loans were given at a rate of 15% interest per annum repayable over 5 years to encourage development through the sale of vacant erven. In terms of the MFMA no new loans are granted.

14 INVENTORY	13,340,553	10,949,497
Consumable Stock	13,340,553	11,471,517
Work in Progress	-	(522,020)

Refer to Note 38 for Exemptions

15 CONSUMERS AND OTHER DEBTORS

(A) Consumers Debtors

As at 30 June 2008	Gross Balance R	Provision for Bad debts R	Net Balance R
Service debtors			
Rates	60,988,176	40,726,538	20,261,638
Electricity	21,254,718	4,829,936	16,424,782
Water	26,564,313	20,631,946	5,932,367
Sewerage	7,605,330	5,940,429	1,664,901
Refuse	40,755,308	34,864,373	5,890,935
Interest on Arrears	48,874,634	48,020,432	854,202
Indigents and Abeyance	5,414,892	5,414,837	55
Consumer (Instalments)	9,819,957	9,335,715	484,242
Total	221,277,328	169,764,206	51,513,122
As at 30 June 2007	Gross Balance R	Provision for Bad debts R	Net Balance R
Service debtors			
Rates	46,738,671	29,734,103	17,004,568
Electricity	16,329,253	3,679,234	12,650,019
Water	22,033,205	18,557,101	3,476,104
Sewerage	6,986,227	5,397,907	1,588,320
Refuse	32,165,402	27,184,219	4,981,184
Interest on Arrears	38,343,019	36,479,962	1,863,057
Indigents and Abeyance	5,468,656	5,455,890	12,765
Consumer (Instalments)	10,206,256	9,372,283	833,974
Total	178,270,689	135,860,699	42,409,990

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>Rates: Ageing</u>		
Current (0 – 30 days)	10,267,890	9,573,202
31 - 60 Days	2,972,994	3,143,667
61 - 90 Days	2,348,577	2,419,268
+ 90 Days	45,398,713	31,602,534
Total	60,988,174	46,738,671
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	12,062,648	10,167,224
31 - 60 Days	1,992,357	1,819,048
61 - 90 Days	1,202,161	418,159
+ 90 Days	5,997,551	3,924,823
Total	21,254,717	16,329,253
<u>Water: Ageing</u>		
Current (0 – 30 days)	2,355,768	1,243,636
31 - 60 Days	1,257,264	794,039
61 - 90 Days	1,163,024	562,621
+ 90 Days	21,788,255	19,432,908
Total	26,564,311	22,033,205
<u>Sewerage: Ageing</u>		
Current (0 – 30 days)	876,599	730,576
31 - 60 Days	321,033	348,617
61 - 90 Days	263,774	214,665
+ 90 Days	6,143,924	5,692,369
Total	7,605,330	6,986,227
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	2,671,531	2,348,361
31 - 60 Days	1,188,726	983,540
61 - 90 Days	1,037,793	849,391
+ 90 Days	35,857,257	27,984,109
Total	40,755,307	32,165,402
<u>Interest on Arrears: Ageing</u>		
Current (0 – 30 days)	1,448,970	1,479,989
31 - 60 Days	1,271,880	1,416,302
61 - 90 Days	1,324,491	1,361,724
+ 90 Days	44,829,292	34,085,003
Total	48,874,633	38,343,019
<u>Indigents and Abovance: Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	5,414,837	5,468,601
Total	5,414,837	5,468,601
<u>Consumer (Instalments): Ageing</u>		
Current (0 – 30 days)	423,420	692,872
31 - 60 Days	19,358	44,975
61 - 90 Days	19,873	46,783
+ 90 Days	9,357,305	9,421,626
Total	9,819,956	10,206,256

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(B) Summary of Consumers and Other Debtors by Customer
Classification 30 June 2008

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Gov</u>
Current (0 – 30 days)	16,043,627	13,932,354	388,471
31 - 60 Days	5,528,341	3,274,985	324,900
61 - 90 Days	5,548,413	2,626,915	193,291
+ 90 Days	142,070,449	41,779,487	754,875
Total debtors by customer classification	169,190,830	61,613,741	1,661,537

16 OTHER DEBTORS

	2008 R	2007 R
Fire Brigade	14,102,858	34,800,713
Sundry Debtors	132,798	126,790
Hire of Grounds	8,168,663	12,746,372
Airport	1,229,396	1,242,228
Stand Instalments	125,933	125,933
Sport Clubs	3,548,902	3,548,270
Bursary Scheme	184,611	162,698
Housing Debtors	285,811	250,177
Service Contributions	1,065,876	926,571
Capital Projects	1,487,204	944,672
Year end Adjustments	(82,295)	(82,295)
Suspense Accounts	5,674,630	21,801,572
	21,821,529	41,792,988
Less: Provision for bad debt	(7,718,671)	(6,992,275)
Debt written off for the year	761,924	50,913

17 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Cheque Account (Primary Bank Account)

ABSA Bank Limited - Nelspruit Branch
Account Number - 40-5321-5785

Cash book balance at beginning of year	29,007,836	30,840,469
Cash book balance at end of year	31,384,611	29,007,836
Bank statement balance at beginning of year	53,789,839	44,228,319
Bank statement balance at end of year	45,144,051	53,789,839

Spiral Plan (NTLC/GNUC Water Services Deposit Account)

ABSA Bank Limited - Nelspruit Branch
Account Number - 90-6703-3766

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	3,579	-
Bank statement balance at end of year	3,833	3,579

Savings Account (NTLC Dedicated Water Services Fund)

ABSA Bank Limited - Nelspruit Branch
Account Number - 90-6916-6741

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	1,377	-
Bank statement balance at end of year	1,304	1,377

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>Cheque Account (Masovi PHP Housing Project)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 40-5414-9088		
Cash book balance at beginning of year	2,297,364	1,464,216
Cash book balance at end of year	<u>1,768,020</u>	<u>2,297,364</u>
Bank statement balance at beginning of year	1,764,580	1,465,529
Bank statement balance at end of year	<u>1,762,196</u>	<u>1,764,580</u>
<u>Cheque Account (Nelspruit Capital)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 10-7016-6603		
Cash book balance at beginning of year	372,581	353,279
Cash book balance at end of year	<u>399,689</u>	<u>372,581</u>
Bank statement balance at beginning of year	363,949	353,279
Bank statement balance at end of year	<u>330,091</u>	<u>363,949</u>
<u>Call Account (NTLC/GNUC Water Service Deposit Account)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 90-6983-8617		
Cash book balance at beginning of year	1,230,402	1,184,418
Cash book balance at end of year	<u>1,238,712</u>	<u>1,230,402</u>
Bank statement balance at beginning of year	1,172,224	1,184,418
Bank statement balance at end of year	<u>1,238,712</u>	<u>1,172,224</u>
<u>Call Account (NTLC Grant Funding Water Service)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 90-6983-9003		
Cash book balance at beginning of year	77,693	74,705
Cash book balance at end of year	<u>82,100</u>	<u>77,693</u>
Bank statement balance at beginning of year	77,693	74,705
Bank statement balance at end of year	<u>81,200</u>	<u>77,693</u>
<u>Call Account (NTLC/GNUC Service Contribution Account)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 90-7568-1173		
Cash book balance at beginning of year	12,498,150	7,866,344
Cash book balance at end of year	<u>18,443,214</u>	<u>12,498,150</u>
Bank statement balance at beginning of year	11,857,871	5,661,853
Bank statement balance at end of year	<u>18,443,214</u>	<u>11,857,871</u>
<u>Call Account (Mbombela Taxi Disaster Fund)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 91-2727-3547		
Cash book balance at beginning of year	24,128	34,662
Cash book balance at end of year	<u>24,927</u>	<u>24,128</u>
Bank statement balance at beginning of year	24,128	34,662
Bank statement balance at end of year	<u>24,927</u>	<u>24,128</u>
<u>Call Account (2010 Soccer World Cup)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 40-6774-2380		
Cash book balance at beginning of year	71,871,561	-
Cash book balance at end of year	<u>157,957,900</u>	<u>71,871,561</u>
Bank statement balance at beginning of year	71,871,561	-
Bank statement balance at end of year	<u>157,957,900</u>	<u>71,871,561</u>

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>Cheque Account (White River TLC Disaster Fund)</u>		
ABSA Bank Limited - Nelspruit Branch		
Account Number - 40-5141-9472		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>22,816</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>22,815</u>	<u>-</u>
TOTAL BALANCE	<u>211,321,989</u>	<u>117,379,715</u>

CASH ADVANCES

Petty Cash	31,685	26,285
Deposit: Post Office	79,085	79,085
Deposit: Office Rent (Hazyview)	3,000	3,000
Deposit: Eskom	25,079	23,879
Deposit: Money Box (Fidelity)	1,956	1,956
	<u>140,805</u>	<u>134,205</u>

Disclosure in terms of the MFMA, 2003, Section 125(2)(a)

18 PROPERTY RATES

<u>Actual</u>	2008 R	2007 R
Residential	50,167,167	42,497,903
Commercial	73,010,557	67,884,404
Government	15,963,946	15,111,261
Agricultural / Farms	2,903,323	2,603,723
Total Assessment Rates	<u>142,044,993</u>	<u>128,097,291</u>

Valuations

	Jul-08	Jul-07
Residential	844,450,196	767,013,160
Commercial	481,318,900	473,886,600
Government	59,679,500	59,639,500
Agricultural	83,594,500	83,678,500
Farms	500,865,000	500,865,000
Exempted	471,110,274	410,777,080
Total Property Valuations	<u>2,441,018,370</u>	<u>2,295,859,840</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1999. Interim valuations are processed on a daily basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.4099c/R is applied to property valuations to determine assessment rates. A rebate on the general rate of 20% is granted to state property. Rates are levied on a monthly basis.

Interest on all outstanding amounts are determined for every financial year and calculated from the basis of the average rate between the bank rate +1% as prevailing at the beginning of the financial year and the bank rate projected by the Reserve Bank for the ensuing 12 months.

As per section 89 of the MPRA, an application for the extension of the existing valuation roll was forwarded and approved by the MEC for Local Government and Housing for the 2007/2008 financial year.

A property valuer is currently on the field for the compilation of a general valuation roll compliant to the MPRA for implementation on 1 July 2009.

19 SERVICE CHARGES

Sale of electricity	181,277,960	140,972,062
Sale of water	16,290,216	15,574,956
Refuse removal	34,741,711	31,324,165
Sewerage and sanitation charges	11,170,550	10,427,181
Total Service Charges	<u>243,480,437</u>	<u>198,298,364</u>

Refer to Note 40 for Exemptions

20 GOVERNMENT GRANTS AND SUBSIDIES

Government Subsidies & Grant	161,950,512	128,666,723
Equitable share	117,863,860	102,360,951
Financial Management	500,000	500,000
Municipal Support Programme	734,000	-
Seta Grant	484,164	637,667
DWAF	39,875,057	23,500,653
Health	2,100,000	1,050,000
Space Norwegian	75,000	142,849
Department of Housing	318,431	474,603
Capital Subsidies & Grants	327,682,162	266,067,968
MIG Grant	62,775,150	77,174,505
DWAF Grant	6,951,239	1,088,341
DME	2,052,924	2,028,700
2010 Soccer World Cup	240,186,651	185,776,422
Provincial Grants	3,053,644	-
Public Transport Infrastructure Services	9,662,554	-
Department of Agriculture & Land Affairs	3,000,000	-
Total Government Grant and Subsidies	<u>489,632,674</u>	<u>394,734,691</u>

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
MIG		
Balance unspent at beginning of year	8,436,152	11,184,104
Current year receipts	65,851,542	74,070,972
Conditions met - transferred to revenue	(62,775,150)	(77,174,505)
Transfer to	(352,270)	-
Transfer From	4,256,538	355,581
Conditions still to be met - transferred to liabilities (see note 9)	15,416,812	8,436,152

2008

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas .

2007

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). An amount of R8 489 000 was subsequently withheld by National Treasury due to persistent underspending. An amount of R17 437 020 for grants receivable was not raised as a debtor due to a history of non-performance

DWAF

Balance unspent at beginning of year	572,569	1,660,910
Current year receipts	7,628,000	-
Conditions met - transferred to revenue	(6,951,239)	(1,088,341)
Transfer to	(1,756,498)	-
Transfer From	2,888,548	-
Conditions still to be met - transferred to liabilities (see note 9)	2,381,380	572,569

2008

This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas. No funds were withheld.

2007

This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas (included in the water vote in Appendix B). No funds have been withheld.

LED

Balance unspent at beginning of year	16,929	90,423
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to	-	(73,494)
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 9)	16,929	16,929

2008

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

2007

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

DME

Balance unspent at beginning of year	1,215,130	(1,131,170)
Current year receipts	-	2,560,000
Conditions met - transferred to revenue	(2,052,924)	(2,028,700)
Transfer to	-	-
Transfer From	-	1,815,000
Conditions still to be met - transferred to liabilities (see note 9)	(837,794)	1,215,130

2008

This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas. No funds were withheld.

2007

This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas (included in the electricity vote in Appendix B). No funds have been withheld.

EDM

Balance unspent at beginning of year	894,200	915,284
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to	-	(21,084)
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 9)	894,200	894,200

2008

The EDM grant was used to construct roads and water infrastructure. No funds were withheld.

2007

This grant was used to construct roads and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and water votes in Appendix B). No funds have been withheld.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

SPORT

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Transfer to
Transfer From
Conditions still to be met - transferred to liabilities (see note 9)

2008 R
1,940
-
-
-
-
1,940

2007 R
1,940
-
-
-
-
1,940

2008

This grant was used to construct Nsikasi sport stadium.
(included in Appendix B). No funds have been withheld.

2007

This grant was used to construct Nsikasi sport stadium.
(included in Appendix B). No funds have been withheld.

Provincial

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
- operational
Transfer to
Transfer From
Conditions still to be met - transferred to liabilities (see note 9)

14,066,332
7,781,259
(3,053,644)
(5,507,324)
(4,782,080)
2,534,974
11,039,517

15,311,623
1,567,148
-
(2,812,439)
-
14,066,332

2008

This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.

2007

This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.

2010 SOCCER WORLD CUP

Balance unspent at beginning of year
Current year receipts
Interest earned
Conditions met - transferred to revenue
Transfer to
Transfer From
Conditions still to be met - transferred to liabilities (see note 9)

72,371,107
318,186,061
7,511,456
(240,186,651)
-
-
157,881,973

-
257,113,692
-
(185,776,422)
-
1,033,836
72,371,107

2008

This is a grant used for the construction of the 2010 FIFA World Cup Stadium.
The total of R 7 511 455 was interest earned 07/08.

2007

This grant was used to construct 2010 Soccer World Cup Stadium.
(included in Appendix B). No funds have been withheld.
An amount of R1 033 836 for grants receivable was not raised as a debtor due to a history of non-performance .

PUBLIC TRANSPORT INFRASTRUCTURE SERVICES

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Transfer to
Transfer From
Conditions still to be met - transferred to liabilities (see note 9)

-
55,000,000
(9,662,554)
-
1,810,000
47,147,446

-
-
-
-
-
-

2008

This grant was used to construct and improve new and existing public transport and non-motorised transport infrastructure and systems, in order to meet the needs of the 2010 FIFA World cup.

DEPARTMENT OF AGRICULTURE & LAND AFFAIRES

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Transfer to
Transfer From
Conditions still to be met - transferred to liabilities (see note 9)

-
3,000,000
(3,000,000)
-
-
-

-
-
-
-
-
-

2008

The purpose and the use of the grant is for implementing the development project defined as the provision of infrastructure for basic services which will be bulk water supply system.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
21 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	157,258,867	143,466,169
Employee related costs - Social contributions	34,976,425	32,835,006
Total Employee Related Costs	192,235,292	176,301,175
 Remuneration of the Municipal Manager		
Annual Remuneration	720,000	720,000
Performance Bonuses	-	-
Car Allowance	100,000	100,000
Total	820,000	820,000
 Remuneration of the Chief Operations Manager		
Annual Remuneration	605,500	605,500
Performance Bonuses	-	-
Car Allowance	114,500	114,500
Total	720,000	720,000
 Remuneration of the Chief Finance Officer		
Annual Remuneration	428,076	450,000
Performance Bonuses	-	-
Car Allowance	91,500	150,000
Total	519,576	600,000
 Remuneration of Executive Manager - Technical Services		
Annual Remuneration	500,000	500,000
Performance Bonuses	-	-
Car Allowance	120,000	120,000
Total	620,000	620,000
 Remuneration of Executive Manager - Community Services		
Annual Remuneration	288,735	-
Performance Bonuses	-	-
Car Allowance	144,000	-
Total	432,735	-
 Remuneration of Executive Manager - Corporate Services		
Annual Remuneration	520,000	520,000
Performance Bonuses	-	-
Car Allowance	100,000	100,000
Total	620,000	620,000

Disclosure in terms of the MFMA, 2003, Section 124(1)(c.)

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
22 REMUNERATION OF COUNCILLORS		
Executive Mayor		
Annual Remuneration	253,769	283,779
Housing	-	-
Travel Allowance	101,084	106,346
Cell Phone Allowance	12,246	13,404
Total	367,099	403,529
Deputy Executive Mayor		
Annual Remuneration	240,466	223,840
Housing	-	-
Travel Allowance	97,040	89,861
Cell Phone Allowance	14,317	13,404
Total	351,823	327,105
Speaker		
Annual Remuneration	240,467	223,840
Housing	-	-
Travel Allowance	97,040	89,861
Cell Phone Allowance	14,317	13,404
Total	351,824	327,105
Mayoral Committee Members		
Annual Remuneration	1,233,822	1,223,400
Housing	-	-
Travel Allowance	500,352	496,496
Cell Phone Allowance	75,326	76,964
Total	1,809,500	1,796,860
Councillors		
Annual Remuneration	5,700,991	5,319,579
Travel Allowance	2,237,475	2,098,538
Cell Phone Allowance	558,595	551,255
Office Allowance	-	0
Total	8,497,061	7,969,372
Councillors' pension contribution	1,154,682	1,161,289
Councillors' medical contribution	289,451	232,148
Total Councillors' Remuneration	12,821,440	12,217,408

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

The Executive Mayor has one full-time bodyguard.

The Executive Mayor receive no remuneration for his duties as Executive Mayor.

Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

Certification by the Administrator

I, Khayo E Mpungose, administrator, certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 27138, dated 21 December 2004

Signed: Administrator

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
23 BAD DEBTS		
Opening balance	142,913,932	175,801,097
Adjustment	(60,957)	-
Contribution to the bad debt provision	35,391,827	37,657,344
Bad debts written off	(761,925)	(70,544,509)
Closing Balance	177,482,877	142,913,932
24 INTEREST ON EXTERNAL BORROWINGS		
External loans	10,885,051	12,649,059
Finance leases	-	-
Bank overdrafts	-	-
Total Interest on External Borrowings	10,885,051	12,649,059
25 BULK PURCHASES		
Electricity	110,704,382	96,980,639
Water	4,942,872	2,075,938
Total Bulk Purchases	115,647,254	99,056,577
26 CASH GENERATED BY OPERATIONS		
Net surplus for the year	372,458,864	260,987,490
Adjustments Previous Years:		
Operating Income and Expenditure	(1,674,222)	14,602,111
Offsetting Depreciation	16,280,698	(28,000,000)
Transfer to CCR	(12,454,973)	(3,103,276)
Transfer to Leave Reserve	-	(266,067,967)
Transfer to NDR Utilised Capital	(327,682,163)	(3,210,217)
Transfer to Surplus Operating Income	-	28,000,000
Transfer from CRR	34,299,613	465,044
Transfer from NDR Operating Expenditure	-	335,692
Transfer from Accumulated Surplus	-	29,253,589
Depreciation	35,820,927	(601,043)
Gain on disposal of property, plant and equipment	(1,425,230)	291,127,928
Reserves	291,665,161	1,361,854
Provisions	3,233,250	-
Contribution to bad debt provision	34,629,902	(21,330,963)
Interest Received	(30,121,700)	12,649,059
Interest paid	10,885,051	316,469,301
Operating surplus before working capital changes:	425,915,178	316,469,301
Increase in inventories	(2,391,056)	(3,475,945)
Increase in debtors	(9,103,132)	1,317,274
Increase in other debtors	20,697,855	(10,367,787)
Increase in vat	(1,320,103)	20,920,033
Increase in conditional grants and receipts	136,391,659	70,264,712
Increase in creditors	8,292,089	16,766,252
Increase in Provision	3,233,250	-
Cash generated by operations	581,715,740	411,893,840
27 CASH AND CASH EQUIVALENTS		
Balance at the end of the year	211,462,794	117,379,715
Balance at the beginning of the year	117,379,715	117,513,920
Net increase/(decrease) in cash and cash equivalents	94,083,079	(134,205)

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
MANAGEMENT ACT		
<u>Contributions to SALGA</u>		
Opening balance	-	-
Council subscriptions	635,773	1,361,837
Amount paid - current year	635,773	1,361,837
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>Audit fees</u>		
Opening balance	814,067	306,357
Current year audit fee	1,794,362	814,067
Amount paid - current year	727,840	306,357
Amount paid - previous years	1,079,965	-
Balance unpaid (included in creditors)	800,624	814,067
<u>VAT</u>		
VAT inputs receivables and VAT outputs receivables are shown in note 11.		
All VAT returns have been submitted by the due date throughout the year.		
<u>PAYE</u>		
Opening balance	-	-
Current year payroll deductions	21,462,067	19,922,673
Amount paid - current year	21,462,067	19,922,673
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>UIF</u>		
Opening balance	-	-
Current year payroll deductions	2,485,360	2,295,015
Amount paid - current year	2,485,360	2,295,015
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>Skill Development Levies</u>		
Opening balance	-	-
Current year payroll deductions	1,492,313	1,348,723
Amount paid - current year	1,492,313	1,348,723
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>Group Insurance Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2,545,873	2,284,698
Amount paid - current year	2,545,873	2,284,698
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>Pension Fund Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	35,887,741	33,360,025
Amount paid - current year	35,887,741	33,360,025
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13,550,407	12,014,555
Amount paid - current year	13,550,407	12,014,555
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2008	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor TK Mabilane	R 513.31	R 87.84	R 425.47
Councillor ZM Boroko	R 2,294.28	R 39.12	R 2,255.16

Directors arrear consumer and other accounts

The following Director had arrear accounts outstanding for more than 90 days as at: -

30th June 2008	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
RC Matola	R 7,191.97	R 128.40	R 7,063.57

Note that there is an arrangement of paying arrear debt by Director RC Matola

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor DP Tau	R 3,573.42	R 325.30	R 3,248.12
Councillor MJ Msibi	R 5,893.81	R 123.17	R 5,770.64

Directors arrear consumer and other accounts

The following Director had arrear accounts outstanding for more than 90 days as at: -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
DC Mogale	R 367.04		R 367.04

29 UTILIZATION OF LONG TERM LIABILITIES

RECONCILIATION

Long term liabilities (see note 6)	(76,458,096)	(86,031,367)
Used to finance property, plant and equipment at cost	17,684,242	15,143,961
Sub-Total	(58,773,854)	(70,887,406)
Cash set aside for the repayment of long term liabilities (see note 12)	17,684,242	15,143,961
Cash invested for the repayment of long term liabilities	17,684,242	15,143,961

30 IRREGULAR EXPENDITURE DISALLOWED, FRUITLESS & WASTEFUL EXPENDITURE

2008	Incident	Disciplinary Steps/Criminal Proceedings	Amount
	Payment of Bonuses	Still busy with investigation	721,368
	Botmac PPP	Still busy with investigation	498,750
	Mass Containers	Still busy with investigation	314,988
	Fraudulent Overtime Payment	Still busy with investigation	11,822
	Rebuilding of KaNyamazane Stadium Ha	Still busy with investigation	18,870
	Absent from Office	Still busy with investigation	
	Contract with Asset West Finance as cede	Still busy with investigation	Salary and benefits of incumbent for period 1/12/2007 until 30/03/2008
	Payment of acting allowances	Still busy with investigation	9,987,644
			Acting allowances of a acting CFO, for seven days.

2007

Incident	Disciplinary Steps/Criminal Proceedings	Amount
Theft	Employee Resigned / SAPS Found Guilty / Money Recovered from Pension	66,559
Theft	Employee Resigned / SAPS Found Guilty - Suspended Sentence	22,267
Supply and Delivery of Mass Containers, Tender Number CO1/2005		314,988

31 COMMITMENTS

31.1 Capital Commitments

Commitments in respect of capital expenditure:

- Approved and contracted for

	2008	2007
	R	R
Infrastructure	254,460,134	43,949,369
Community	14,645	82,143,113
Other	1,637,105	3,361,984
Total	256,111,884	129,454,466

This expenditure will be financed from:

-External Loans	9,225,886	21,347,863
-Capital Replacement Reserve	23,173,417	8,688,594
-Government Grants	223,712,581	99,418,009
Total	256,111,884	129,454,466

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

31.2 Operating Leases - Expenditure

The future minimum lease payments payable under operating leases are as follows:

	2008 R	2007 R
- Within One year	88,730	-
- In second to fifth year	191,152	-
- Later than five years	-	-

32 OTHER INCOME

The following abnormally high revenue accrued:

Buiding Plans Fees	-	190,672
Electricity Connections Fees	-	2,318,348
Interest on Current Account	-	1,337,981

33 GENERAL EXPENDITURE

No abnormal expences accrued during 2007/2008

34 RETIREMENT BENEFIT INFORMATION

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

All Pension Funds are defined contribution plans.

35 IN KIND DONATIONS AND ASSISTANCE

Secondment of International Finance Advisor and Interns by National Treasury for 2 years

36 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E(1) and E(2)

37 OTHER INFORMATION

The Municipality was placed under administration since the 20 February 2008 by the MEC for Local Government and Housing under Section 139 (i)(b).

The Executive Mayor resigned with effect from 25 April 2008 which resulted in the disbanding of the Mayoral Committee referred to on page 1 of the Financial Statements. These Mayoral Committee Members with effect from 25 April 2008 were paid as ordinary Councillors.

Delegated powers of the Mayoral Committee, as stipulated on page 1, were revoked and the Administrator assumed these duties.

A new Exective Mayor was elected by the Municipal Council on the 29 May 2008.

The Munipal Manager was suspended since 22 November 2007 with full pay pending investigations.

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed	Estimated contingency liability	Estimated legal cost
		R	R	R
Botmac Mbombela (Pty) Ltd / MLM	Breach of contract based on failure to honour payment and loss of future income due to MLM's repudiation of the of public Private Partnership agreement. MLM has been advised to settle without prejudice and without admission of liability. Matter may be settled	1,978,804	5,000,000	1,000,000
Telegenix 655 Trading CC / MLM	Claim emanates from termination of a tender following a court order which set aside the award. Based on legal advice Council is defending the matter.	7,313,522	200,000	100,000
NR Nkosi / MLM / Buscor (Pty) Ltd	Claim emanates from bodily injuries suffered in a bus accident. MLM is joined as a third party in this action on the basis of contributory negligence occasioned by newly constructed speed humps without warnings. MLM has been advised to tender 20 % of proven damages suffered by the plaintiff.	835,013	160,000	12,000
Bellim MK / MLM	Claim emanates from inadequately constructed storm water drainage system which was flooded and caused property damages. The amount claimed is allegedly a reasonable repair or replacement costs of the damaged good.	100,000	40,000	25,000
GXZ Business Enterprises / MLM	Claim emanates from a fire that destroyed a business and stock. MLM's fire fighter allegedly failed or neglected to carry out their duty to extinguish the fire, rescue property etc. The breakdown of the fire truck was due to mechanical failure. No summons has been served. Claim referred to insurance for consideration.	1,301,475	2,000,000	500,000
MLM / Relanc Trading CC	MLM is the plaintiff is the in this matter. The claim emanates from breach of contract of sale of an immovable property, in that the defendant breached the contract by failing to make payments. The orders sought are for cancellation of the deed of sale, return of possession of the property and payment of rates	6,127	None	40,000

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed	Estimated contingency liability	Estimated legal cost
		R	R	R
MLM / Morgan C	MLM is the plaintiff in this matter. MLM seeks an order to cancel sale of immovable property	None	None	30,000
Smith PA / MLM	The claim emanates from a damaged canal which caused damages to the plaintiff's property. Technical services directorate has ruled no negligence on MLM as the cause of loss is a foreign concrete block which fell as a result of flooding into the canal	100,000	40,000	15,000
Mdluli P / MLM	This application to interdict transfer of the land on which the 2010 world cup stadium is being constructed into MLM's name.	None	None	150,000
Saamstaan (Pty) Ltd / MLM	This claim emanates from termination of a lease agreement. MLM has been advised to settle the claim. Summonses have not being served. Preliminary settlement negotiations ongoing	533,631	347,646	None
FP Prolius / V Sibiya / MLM	This claim emanates from a defamation related incident. MLM is alleged to be vicariously liable as the employee concerned was acting within the scope and cause of his employment at the time of the incident.	100,000	None	30,000
Ensemble Trading / MLM	This claim emanates from a cession of rights and interest in a tender. The cession agreement was allegedly communicated to Council. The delivery of the cession is disputed.	2,540,042	1,000,000	100,000
Cas Le Roux / MLM	This matter emanates from an unfair dismissal. Matter has been settled following a legal opinion. The amount payable representing reinstatement salaries will take into account the salary received and tax liability	800,000	600,000	40,000
Bert Houy / MLM	Matter relates to placement of employees. The matter is being resolved by establishing a committee to look into whether the employees involved were properly placed. There is no order for payment of money being sought.	None	None	45,000
Municipal Employees Pensions Fund	The claim is for payment of arrear pension fund contributions. An agreement has been reached with the plaintiff's attorneys to pend the matter to allow investigations. The matter will be settled as investigations revealed that there are no arrears owing.	106,225	None	None

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed	Estimated contingency liability	Estimated legal cost
		R	R	R
Nedcor / MLM / Fig Tree Hotel	Claim for proceed of sale in execution following a judgement in favour of MLM. The property sold was subject to a mortgage by Nedcor. The civil action will be withdrawn. The judgement was for rates and taxes of which are preferential claims.	520,000	None	40,000
Machaba M & Others / MLM	Claim for recovery of reasonable replacement costs of property demolished without a court order. Matte may be settled by public liability insurance. If insurance repudiates, a reasonable offer as per legal advice will be considered by MLM	437,624	14,800	6,000

2007

- (1). Action was instituted against the Municipality by Telegenix 655 Trading CC in the amount of R7 313 522.36
- (2). Botmac Mbombela (Pty) Ltd, they claimed R19 million. Attorney's estimate of financial exposure (inclusive of costs and disbursements) is R6 000 000. Attorney's remarks: Matter may be settled.

39 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

2008		
Name of the Person	The Capacity in which that person is in the service of the state	The Amount of the Ward
Sigananda Siboza	Chief Operational Manager	R 33.94 per Ream for 24 months
Sigananda Siboza	Chief Operational Manager	R 61.71 per Ream for 24 months
Bulelani Ngcuka	Deputy President of the RSA	R 810,097,694

Disclosure in terms of the Government Gazette 27636, dated 30 May 2005, section 45

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

40 LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003, EXEMPTIONS
General Notice 552 of 2007, issued in Government Gazette no. 30013 of 29 June 2007

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Estimate date of compliance
Property, plant and equipment (GAMAP 17)	Review of useful life of items of PPE recognized in the annual financial statements [paragraphs 59 – 61, and 77]	<p>ELECTRICAL ASSETS:REDS</p> <p>Appoint a service provider to assist municipality due lack of capacity</p> <p>Identification & componentization of assets</p> <p>Measurement & recognition of assets</p> <p>Classification of PPE</p> <p>Update asset register</p> <p>WATER & OTHER INFRASTRUCTURE ASSETS:</p> <p>Appoint service provider to assist municipality due to lack of capacity</p> <p>Identification & componentization of assets</p> <p>Measurement & recognition of assets</p> <p>Development of Asset Management Plans for Water, Sanitation, Streets & Storm water</p> <p>Classification of assets</p> <p>Training of asset management personnel on asset management</p> <p>Update asset register with assistance of service provider due to capacity</p> <p>Recalculate financial ratios: solvability, etc</p> <p>Funding of all these activities will be a challenge to the municipality due to nature of the work to be done and lack of expertise. However, the municipality will budget for what it could afford during the budget process for 2008/09.</p> <p>Risk Management</p>	June 2008
	Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]	Determine life span & method of depreciation with the assistance of service provider due to capacity challenge or with assistance of International Financial Advisor allocated to municipality by National Treasury.	June 2008
	Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]	Identification of con-cash generating assets	June 2008
	Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]	Identification of cash generating assets	June 2008
Impairment of Assets (IAS 36/AC 128)	Entire Standard		June 2008
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	Land audit to identify undeveloped & developed land for the municipality	June 2008
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	Appoint service provider to assist Civil engineering due to lack of expertise	June 2008
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Not applicable	June 2008
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 79(e)(i) – (iii)]	Not applicable	June 2008

MBOMBELA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]	Analyze all leases of the municipality	June 2008
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	Compliant	June 2008
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 – 119, 120A(c)-(q)]	Appoint Actuarial if municipal Pension Administrator cannot provide assistance	June 2008
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA circular 09/06 and paragraph 12]	Assess/review system designs for initial measurement of fair value with assistance of Business Connexion – IT Contract Manager & International Financial Advisor	June 2008
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/AC 133]	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	Not Applicable	June 2008
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Construction Contracts (IAS 11/AC 109)	Entire Standard	An assessment on the 2010 stadium with assistance of the International Financial Advisor / a service provider due lack of expertise within the municipality.	June 2008
Business Combinations (IFRS 3/AC 140)	Entire Standard	Not applicable	June 2008
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	Fully compliant to this standard.	June 2006

The fact that the comparatives (i.e. the 2005/2006 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the application of the exemptions.

APPENDIX A

MBOMBELA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

[illegible]

APPENDIX B
MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Transfer To and From	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
Land and Buildings										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
INFRASTRUCTURE										
Roads, Pavements, Bridges & Stormwater	298,158,705	40,541,635	-	-	338,700,340	93,430,627	10,183,282	-	103,613,909	235,086,431
Water Reservoirs & Reticulation	412,384,386	40,036,265	-	-	452,420,651	124,441,518	12,676,844	-	137,118,362	315,302,289
Sewerage Purification & Reticulation	64,752,383	15,101,840	-	-	79,854,223	7,766,998	2,157,076	-	9,924,074	69,930,149
Car Parks, Bus Terminals & Taxi Ranks	923,491	-	-	-	923,491	153,511	23,087	-	176,598	746,893
Electricity Reticulation	49,274,899	11,958,399	-	-	61,233,298	8,570,408	2,352,184	-	10,922,592	50,310,706
Housing	2,418,044	-	-	-	2,418,044	581,165	48,361	-	629,526	1,788,518
Street Lighting	5,349,533	345,378	-	-	5,694,911	1,814,154	257,665	-	2,071,819	3,623,092
Refuse sites	5,268,528	2,425,867	-	-	7,694,395	376,950	293,223	-	670,173	7,024,223
Other	11,453,732	7,887,815	-	-	19,341,547	4,949,694	379,125	-	5,328,819	14,012,728
	849,983,702	118,297,199	-	-	968,280,901	242,085,025	28,370,847	-	270,455,872	697,825,029
COMMUNITY ASSETS										
Establishment of Parks & Gardens	8,489,291	245,219,022	-	-	253,708,313	2,035,039	169,487	-	2,204,526	251,503,786
Sportfields	198,503,957	10,000	-	-	198,513,957	1,039,098	300,645	-	1,339,743	197,174,214
Community Halls	1,360,764	-	-	-	1,360,764	381,290	40,010	-	421,300	939,464
Libraries	184,736	-	-	-	184,736	42,480	4,311	-	46,791	137,945
Recreational Facilities	3,529,537	-	-	-	3,529,537	1,145,549	126,732	-	1,272,281	2,257,256
Clinics	27,816	-	-	-	27,816	27,815	-	-	27,815	1
Museums & Art Galleries	-	-	-	-	-	-	-	-	-	-
Fire Services	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-
Other	4,303,660	539,625	-	-	4,843,285	416,942	92,235	-	509,177	4,334,108
	216,399,760	245,768,647	-	-	462,168,407	5,088,213	733,420	-	5,821,633	456,346,775
Total Carried Forward	1,066,383,462	364,065,846	-	-	1,430,449,308	247,173,238	29,104,267	-	276,277,505	1,154,171,804

APPENDIX B
MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND QUIPMENT AS AT 30 JUNE 2008

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Transfer To and From	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
Total Brought Forward	1,066,383,462	364,065,846	-	-	1,430,449,308	247,173,238	29,104,267	-	276,277,505	1,154,171,804
OTHER ASSETS										
Other Motor Vehicles	39,038,638	2,520,317	-	605,345	40,953,610	27,891,217	2,006,714	300,240	29,597,691	11,355,919
Plant & Equipment	-	-	-	-	-	-	-	-	-	-
Office Equipment	16,588,164	228,098	-	-	16,816,262	15,718,133	657,324	-	16,375,457	440,805
Abattoirs	-	-	-	-	-	-	-	-	-	-
Markets	272,496	-	-	-	272,496	24,525	5,450	-	29,975	242,521
Airports	-	-	-	-	-	-	-	-	-	-
Security Measures	387,955	-	-	-	387,955	85,442	36,256	-	121,698	266,257
Civic, Land & Buildings	16,969,239	-	-	-	16,969,239	1,590,160	390,123	-	1,980,283	14,988,956
Other Land & Buildings	70,050,718	778,965	-	-	70,829,683	23,997,026	1,567,728	-	25,564,754	45,264,929
Other	23,235,122	13,016,085	-	-	36,251,207	15,744,584	1,296,732	-	17,041,316	19,209,891
	166,542,332	16,543,465	-	605,345	182,480,452	85,051,087	5,960,327	300,240	90,711,174	91,769,278
HERITAGE ASSESTS										
Heritage Assests	78,904	-	-	-	78,904	-	986	-	986	77,918
	78,904	-	-	-	78,904	-	986	-	986	77,918
SPECIALISED VEHICLES										
Refuse	4,548,027	-	-	-	4,548,027	490,035	391,871	-	881,906	3,666,121
Fire	827,150	-	-	-	827,150	124,073	55,143	-	179,216	647,934
Conservancy	3,513,466	665,776	-	-	4,179,242	-	308,333	-	308,333	3,870,909
	8,888,643	665,776	-	-	9,554,419	614,109	755,347	-	1,369,456	8,184,964
TOTAL	1,241,893,341	381,275,087	-	605,345	1,622,563,083	332,838,433	35,820,927	300,240	368,359,120	1,254,203,963
<i>Refer to Note 40 for Exemptions</i>										

APPENDIX C
MBOMBELA LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND QUIPMENT AS AT 30 JUNE 2008

COST						ACCUMULATED DEPRECIATION				
Opening Balance	Opening Balance	Additions	Transfer To and From	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
EXECUTIVE & COUNCIL	191,654,432	269,064,732	-	-	460,719,164	1,801,644	1,120,714	-	2,922,358	457,796,806
Council General	713,713	-	-	-	713,713	404,289	10,467	-	414,756	298,957
Executive Mayor & Councillors	1,089,173	-	-	-	1,089,173	551,400	181,675	-	733,075	356,098
Municipal Manager	258,063	266,386	-	-	524,449	243,139	1,120	-	244,259	280,190
Chief Operations Manager	189,593,483	268,798,346	-	-	458,391,829	602,816	927,452	-	1,530,268	456,861,561
FINANCE & ADMINISTRATION	30,020,419	583,903	-	-	30,604,322	17,233,256	736,613	-	17,969,869	12,634,453
Chief Financial Officer	3,071,050	-	-	-	3,071,050	2,713,121	159,230	-	2,872,351	198,699
Financial Planning	549,183	-	-	-	549,183	430,960	7,008	-	437,968	111,215
Income and Revenue Management	2,031,512	583,903	-	-	2,615,415	1,750,650	21,014	-	1,771,664	843,751
Debt Collection and Credit Control	1,266,122	-	-	-	1,266,122	1,264,804	214	-	1,265,018	1,104
Information Technology (Computer Service)	431,722	-	-	-	431,722	-	21,568	-	21,568	410,154
Human Resources	628,381	-	-	-	628,381	242,091	33,836	-	275,927	352,454
Support Services	2,895,661	-	-	-	2,895,661	1,968,349	-	-	1,968,349	927,312
Properties	18,292,878	-	-	-	18,292,878	8,107,713	490,973	-	8,598,686	9,694,192
Administration & Legal Service	822,325	-	-	-	822,325	723,983	2,770	-	726,753	95,572
Director Corporate Service Administration	31,585	-	-	-	31,585	31,585	-	-	31,585	-
PLANNING & DEVELOPMENT	27,449,298	6,722,922	-	-	34,172,220	9,753,331	944,193	-	10,697,524	23,474,696
Planning & Development	17,805,523	3,008,323	-	-	20,813,846	6,274,633	822,369	-	7,097,002	13,716,844
Technical & Civil Engineering	9,643,775	3,714,599	-	-	13,358,374	3,478,698	121,824	-	3,600,522	9,757,852
ROAD TRANSPORT	334,337,620	39,035,037	-	115,641	373,257,016	109,257,205	11,523,831	115,641	120,665,395	252,591,621
Vehicle Licensing & Testing	7,639,197	-	-	-	7,639,197	1,758,264	270,498	-	2,028,762	5,610,435
Roads & Stormwater	286,909,987	39,035,037	-	115,641	325,829,383	83,745,034	11,253,333	115,641	94,882,726	230,946,657
Roads Other	39,788,436	-	-	-	39,788,436	23,753,907	-	-	23,753,907	16,034,529
COMMUNITY & SOCIAL SERVICES	59,223,732	4,293,472	-	-	63,517,204	20,515,097	1,111,981	-	21,627,078	41,890,126
Health Services	707,233	-	-	-	707,233	501,065	38,496	-	539,561	167,672
Libraries & Archives	1,273,555	1,251,753	-	-	2,525,308	305,745	21,809	-	327,554	2,197,754
Museums & Art Galleries	12,714,226	94,800	-	-	12,809,026	3,365,678	315,923	-	3,681,601	9,127,425
Community Halls, Culture Centres & Facilities	14,053,112	2,145,321	-	-	16,198,433	5,820,888	342,739	-	6,163,627	10,034,806
Civic Centre	21,551,949	-	-	-	21,551,949	8,515,415	-	-	8,515,415	13,036,534
Cemeteries & Crematoriums	6,340,591	801,598	-	-	7,142,189	644,408	148,741	-	793,149	6,349,040
Director Community Services	2,583,066	-	-	-	2,583,066	1,361,898	244,273	-	1,606,171	976,895
PUBLIC SAFETY	21,750,455	2,676,872	-	340,473	24,086,854	12,532,837	1,030,321	154,753	13,408,405	10,678,449
Fire & Rescue	6,902,294	1,016,140	-	-	7,918,434	3,923,330	267,046	-	4,190,376	3,728,058
Public Safety Other	14,848,161	1,660,732	-	340,473	16,168,420	8,609,507	763,275	154,753	9,218,029	6,950,391
SPORT & RECREATION	14,522,835	-	-	-	14,522,835	1,943,382	404,328	-	2,347,710	12,175,125
Sport & Recreation	14,522,835	-	-	-	14,522,835	1,943,382	404,328	-	2,347,710	12,175,125
WASTE MANAGEMENT	141,203,163	15,856,940	-	-	157,060,103	48,647,664	5,240,009	-	53,887,673	103,172,430
Refuse & Solid Waste	20,235,497	2,908,275	-	-	23,143,772	10,481,616	789,207	-	11,270,823	11,872,949
Sewerage	120,967,666	12,948,665	-	-	133,916,331	38,166,048	4,450,802	-	42,616,850	91,299,481
HOUSING	7,643,634	-	-	-	7,643,634	2,427,401	10,775	-	2,438,176	5,205,458
Housing	7,643,634	-	-	-	7,643,634	2,427,401	10,775	-	2,438,176	5,205,458
WATER	257,671,809	31,631,334	-	149,232	289,153,911	42,989,557	7,224,478	29,846	50,184,189	238,969,722
Water Distribution	198,413,683	31,157,136	-	149,232	229,421,587	32,933,934	5,863,166	29,846	38,767,254	190,654,333
Water Purification	59,258,126	474,198	-	-	59,732,324	10,055,623	1,361,312	-	11,416,935	48,315,389
ELECTRICITY	156,415,944	11,409,874	-	-	167,825,818	65,737,059	6,473,685	-	72,210,744	95,615,074
Electricity Distribution	105,304,519	11,409,874	-	-	116,714,393	63,549,624	6,473,685	-	70,023,309	46,691,084
Streetlighting	51,111,425	-	-	-	51,111,425	2,187,435	-	-	2,187,435	48,923,990
TOTAL	1,241,893,341	381,275,086	-	605,346	1,622,563,081	332,838,433	35,820,928	300,240	368,359,121	1,254,203,960

Refer to Note 40 for Exemptions

APPENDIX D
MBOMBELA LOCAL MUNICIPALITY
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 ACTUAL INCOME R	2007 ACTUAL EXPENDITURE R	2007 SURPLUS / (DEFICIT) R		2008 ACTUAL INCOME R	2008 ACTUAL EXPENDITURE R	2008 SURPLUS / (DEFICIT) R
102,477,881	97,904,272	4,573,609	Executive & Council	117,863,860	110,287,767	7,576,093
178,765,206	99,961,856	78,803,350	Finance & Admin	202,476,843	118,000,026	84,476,817
5,070,322	16,884,800	(11,814,478)	Planning & Development	6,823,413	16,512,803	(9,689,390)
1,283,169	10,475,235	(9,192,066)	Health	2,309,130	8,850,082	(6,540,952)
186,601,811	36,496,732	150,105,079	Community & Social Services	251,138,695	38,636,166	212,502,529
50,679,942	83,915,958	(33,236,016)	Public Safety	59,044,011	93,959,904	(34,915,893)
65,727,002	70,132,855	(4,405,853)	Waste Management	58,190,074	82,599,067	(24,408,993)
18,773,005	43,791,423	(25,018,418)	Road Transport	34,404,211	45,494,559	(11,090,348)
76,356,846	73,564,491	2,792,355	Water	85,379,149	81,042,881	4,336,268
169,653,650	159,313,883	10,339,767	Electricity	191,880,956	176,378,548	15,502,408
855,388,834	692,441,505	162,947,329	Sub-Total	1,009,510,342	771,761,803	237,748,539
-	(127,293,750)	127,293,750	Less InterDepartment Charges	-	(134,710,321)	134,710,321
855,388,834	565,147,755	290,241,079	Total	1,009,510,342	637,051,482	372,458,860

APPENDIX E(1)
MBOMBELA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 ACTUAL R	2008 BUDGET R	2008 ADJUSTMENT BUDGET R	2008 VARIANCE R	2008 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
REVENUE						
Property Rates	142,044,993	139,613,922	139,613,922	2,431,071	1.74%	
Service Charges	243,480,438	248,994,995	255,708,961	(12,228,523)	-4.78%	
Rental of Facilities and Equipment	1,932,194	2,087,366	2,087,366	(155,172)	-7.43%	
Interest Earned - External Investments						The increase is mainly attributable to the increases of the prime interest rates.
Interest Earned - Outstanding Debtors	30,121,700	7,475,843	9,932,736	20,188,964	203.26%	
	16,390,889	12,107,101	12,107,101	4,283,788	35.38%	Increase in debtors
Fines	3,384,898	10,070,054	10,070,054	(6,685,156)	-66.39%	
Licences and Permits	2,257,573	857,877	857,877	1,399,696	163.16%	Increase in licensing fees
Income for Agency Services	47,476,381	35,905,340	35,905,340	11,571,041	32.23%	Increase in public vehicles and licence fees
Government Grants and Subsidies	161,950,512	153,023,739	153,565,554	8,384,958	5.46%	
Capital Grants and Subsidies	327,682,163	-	-	327,682,163	100.00%	
Other Income	31,363,375	34,298,124	69,772,615	(38,409,240)	-55.05%	
Gains on Disposal of Property, Plant and Equipment	1,425,230	-		1,425,230	100.00%	
Total Revenue	1,009,510,346	644,434,361	689,621,526	319,888,820	46.39%	
EXPENDITURE						
Employee Related Costs	192,235,293	200,387,074	205,321,372	(13,086,079)	-6.37%	
Remuneration of Councillors	12,821,440	12,973,247	12,973,247	(151,807)	-1.17%	
Depreciation	35,820,927	20,081,475	20,081,475	15,739,452	78.38%	
Repairs and Maintenance	64,672,085	62,071,592	68,699,842	(4,027,757)	-5.86%	
Interest Paid	10,885,051	17,474,893	17,474,893	(6,589,842)	-37.71%	A loan was budgeted but never raised
Bulk Purchases	115,647,254	104,952,636	115,510,687	136,567	0.12%	
Contracted Services	50,999,691	53,751,699	53,751,699	(2,752,008)	-5.12%	
General Expenses	113,641,768	122,712,286	143,814,582	(30,172,814)	-20.98%	
Departmental Charges	139,511,346	134,431,302	134,431,302	5,080,044	3.78%	
Contributions to / (transfers from) Provision:	35,526,948	33,048,504	33,048,504	2,478,444	7.50%	
Less : Amounts Charged Out	(134,710,321)	(135,053,517)	(135,053,517)	343,196	-0.25%	
Total Expenditure	637,051,482	626,831,191	670,054,086	(33,002,604)	-4.93%	
NET SURPLUS / (DEFICIT) FOR THE YEAR	372,458,864	17,603,170	19,567,440	354,855,694		

APPENDIX E(2)
MBOMBELA LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 ACTUAL R	2008 UNDER CONSTRUCTION R	2008 TOTAL ADDITIONS R	2008 BUDGET R	2008 ADJUSTMENT BUDGET R	2008 VARIANCE R	2008 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
Executive & Council	269,064,732	-	269,064,732	782,800,000	943,312,410	(674,247,678)	-71.48%	
Finance & Admin	583,903	-	583,903	-	996,438	(412,535)	-41.40%	
Planning & Development	6,722,922	-	6,722,922	800,000	4,245,501	2,477,421	58.35%	
Health	-	-	-	-	-	-	100.00%	
Community & Social Services	4,293,472	-	4,293,472	-	3,930,122	363,350	9.25%	
Housing	-	-	-	-	1,337,024	(1,337,024)	-100.00%	
Public Safety	2,676,872	-	2,676,872	4,298,000	8,408,936	(5,732,064)	-68.17%	
Sport & Recreation	-	-	-	2,500,000	2,800,000	(2,800,000)	-100.00%	
Waste Management	15,856,940	-	15,856,940	15,207,000	28,491,004	(12,634,064)	-44.34%	
Road Transport	39,035,037	-	39,035,037	25,194,541	38,697,151	337,886	0.87%	
Water	31,631,334	-	31,631,334	89,113,459	141,337,254	(109,705,920)	-77.62%	
Electricity	11,409,874	-	11,409,874	43,000,000	79,758,578	(68,348,704)	-85.69%	
TOTAL	381,275,086	0	381,275,086	962,913,000	1,253,314,418	(872,039,332)	-90.56%	

Refer to Note 40 for Exemptions

APPENDIX F
MBOMBELA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08			
Finance Management Grant-Services	National Treasury	-	-	500,000	-	-	315,533	452,343	105,299	842,677	163,008	-	-	-	-	-		Yes / No	
Municipal Systems Improvement	National Treasury	-	-	367,000	367,000	-	-	160,103	310,368	247,383	229,137	-	-	-	-	-		YES	
Equitable Share	National Treasury	42,643,543	-	39,287,953	29,465,965	49,109,942	20,003,882	20,003,882	21,204,115	21,204,115	21,204,115	-	-	-	-	-		YES	
Primary & Environmental Health Care	Provincial Treasury	630,000	-	630,000	-	-	2,368,424	2,592,224	2,308,463	2,689,873	2,584,894	-	-	-	-	-		YES	
Dept. of Water & Forestry	Provincial Treasury	4,843,000	-	13,361,000	6,518,000	10,646,057	8,069,478	14,500,025	4,884,611	9,310,408	10,120,032	-	-	-	-	-		YES	
Dept. of Mineral & Energy	National Treasury	2,560,000	-	-	-	-	17,544	1,611,973	960,726	249,842	367,895	-	-	-	-	-		YES	
Housing	Provincial Treasury	-	533,148	-	158,004	-	254,988	102,701	477,940	164,775	69,300	-	-	-	-	-		YES	
Public Transport Infrastructure Systems	National Treasury	-	-	13,750,000	13,750,000	27,500,000	-	-	523,136	2,117,948	3,273,863	-	-	-	-	-		YES	
Municipal Infrastructure Grant	National Treasury	19,211,400	13,102,000	23,041,795	18,956,876	23,852,871	11,975,399	27,105,262	14,662,045	19,409,821	13,552,367	-	-	-	-	-		YES	
2010 FIFA Stadium	National Treasury	151,729,123	-	14,141,895	51,806,800	252,237,366	2,566,756	116,476,488	43,437,941	90,881,837	36,951,543	-	-	-	-	-		YES	
DWAF 2010 Water & Sanitation	National Treasury	-	-	-	-	6,000,000	-	-	-	-	-	-	-	-	-	-		YES	
Street & Storm water maint.	National Treasury	-	-	-	1,260,000	240,000	-	-	-	217,218	652,985	-	-	-	-	-		YES	
Community Library Services Grant	Provincial Treasury	-	-	-	601,738	-	-	-	-	138,719	36,846	-	-	-	-	-		YES	
		221,617,066	13,635,148	105,079,643	122,884,383	369,586,236	45,571,964	183,005,000	88,874,641	147,474,617	89,205,985	-	-	-	-	-			